

**STATE OF MICHIGAN  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**Before the Commissioner of the Office of Financial and Insurance Regulation**

**In the matter of:**

**Daniel N. Jones  
4 Clinton Drive  
Battle Creek, Michigan 49017**

**Enforcement Case No. 08-5732**

**Blue Water Asset Management, LLC  
67 W. Michigan Ave., Ste. 315  
Battle Creek, Michigan 49017**

**Respondents**

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Issued and entered  
on 10/30 2008  
by Stephen R. Hilker  
Chief Deputy Commissioner

**ORDER TO CEASE AND DESIST**

The Office of Financial and Insurance Regulation of the Michigan Department of Labor and Economic Growth, pursuant to the Michigan Administrative Procedures Act of 1969, MCL 24.201 *et. seq.*, (hereafter "MAPA") and the Michigan Uniform Securities Act, as amended, MCL 451.501 *et. seq.*, (hereafter "Act"), and the rules promulgated under the Act, say that:

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The staff of the Office of Financial and Insurance Regulation (hereafter "OFIR") alleges that the following facts are true and correct:

1. OFIR is responsible for the licensing and regulation of securities and enforcement of the provisions of the Act.
2. On January 8, 1999, the State of Hawaii registered Respondent Blue Water Asset Management, LLC ("Blue Water") as a domestic limited liability company. On November 21, 2003, the State of Hawaii administratively terminated the Respondent Blue Water's registration.
3. On January 18, 2000, Respondent Blue Water submitted an Application for Certificate of Authority to Transact Business in Michigan.

4. On February 23, 2000, Blue Water received an Order of Investment Adviser Registration in the State of Michigan. On February 8, 2001, Respondent Blue Water's Registration was cancelled by an Order of Cancellation of Investment Adviser Registration.
5. Respondent Blue Water is not currently registered as an Investment Adviser in the State of Michigan.
6. At all pertinent times, Respondent Daniel N. Jones ("Jones") was the sole managing member of Respondent Blue Water.
7. Respondent Jones is not registered as an Investment Adviser with OFIR.
8. In response to a request for information from OFIR, Respondent Jones admitted that Respondent Blue Water acted as an Investment Adviser from January 1999 through November 2007.
9. OFIR received information that at least one Michigan resident received investment advisory services from Respondent Jones through Respondent Blue Water. According to the information obtained during the investigation, Respondent Jones had discretionary authority over the client's accounts and charged the clients for these services. These activities were known to occur after February 8, 2001 through November 2007.
10. Neither Respondent Jones nor Respondent Blue Water was registered in the State of Michigan as investment advisers or in any other capacity to transact the business of securities during this time period.
11. By engaging in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, Respondent Jones, through Respondent Blue Water, operated as an investment adviser in Michigan.
12. Respondents knew or had reason to know that Section 201(c) of the Act, MCL 451.601(c), provides that a person shall not transact business in this State as an investment adviser unless registered under the Act, or unless the person meets one of the other conditions listed in Section 201(c)(2), (3), and (4) of the Act, MCL 451.601(c)(2), (3), and (4).
13. The Respondents do not meet any of the conditions listed in Section 201(c) of the Act, MCL 451.601(c).
14. Respondents knew or had reason to know that Section 401(l) of the Act, MCL 451.801(l), defines "investment adviser" as "any person who, for consideration, engages in the business of advising others, either directly or through publications or writings, as to the value of securities, or as to the advisability of investing in, purchasing, or selling securities, who, for consideration and as a part of a regular business, issues or promulgates analyses or reports concerning securities, or who acts as a finder in conjunction with the offer, sale, or purchase of a security."

15. Respondents conducted investment adviser activities as defined in Section 401(l) of the Act, MCL 451.801(l).

WHEREAS, Section 408 of the Act, MCL 451.808 states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Regulation) that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the act or practices and to enforce compliance with this act or any rule or order hereunder; and

WHEREAS, Section 201 of the Act, MCL 451.601(c), provides that a person shall not transact business in this State as an investment adviser unless registered under the Act; and

WHEREAS, Respondents transacted business in the State of Michigan, but are not registered under the Act to act as an investment adviser; and

WHEREAS, the Administrator finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act: and

WHEREAS, based on the foregoing, OFIR Staff recommends that the Administrator find that Respondents have engaged in acts and practices that violate Section 201 of the Act, MCL 451.601 and Rules promulgated under the Act; and

### **ORDER**

**IT IS THEREFORE ORDERED**, pursuant to Section 408 of the Act, MCL 451.808 and Section 409 of the Act, MCL 451.809, that:

1. Respondents shall immediately **CEASE AND DESIST** from violating Section 201 of the Act, MCL 451.601.

Failure to comply with this ORDER may subject you to a criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

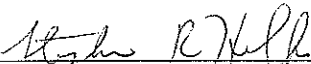
You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Regulation, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.

If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.

It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Regulation, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

OFFICE OF FINANCIAL AND  
INSURANCE REGULATION

By:   
Stephen R. Hilker  
Chief Deputy Commissioner